

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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## MEMORANDUM

TO: Swampscott Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 7, 2019

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY20 (since the amount under the prior schedule was maintained in FY20) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.50% to 7.375%, a revision to the mortality assumption, and several other assumption changes with less impact.

We note that the FY21 appropriation under this schedule maintained the FY20 amount. This is approximately \$167,000 less than the FY21 amount under the prior schedule. In addition, the FY22 and subsequent appropriations under this schedule are similarly lower than that of the prior schedule. Although the law allows such a schedule, we do not recommend such an approach. We generally recommend schedules that increase the appropriation from year to year. For example, if we were developing alternative funding schedules in your case, we would have developed schedules that increase at least 3.0% per year (like the prior schedule) and complete the amortization of the unfunded actuarial liability earlier than FY31.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

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# Funding Schedules

## FUNDING SCHEDULE 2 AS OF JANUARY 1, 2019 7.375% INVESTMENT RETURN ASSUMPTION

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Net (8)(c) Payments	(4) Amortization of Unfunded Liability	(5) Actuarially Determined Contribution (2) - (3) + (4)	(6) Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(7) Percent Increase in Appropriation Over Prior Year
2020	\$869,356	\$186,000	\$4,501,939	\$5,557,295	\$41,953,088	--
2021	898,592	186,000	4,472,703	5,557,295	40,213,171	0.00%
2022	928,805	186,000	4,594,780	5,709,585	38,376,328	2.74%
2023	960,027	186,000	4,732,623	5,878,650	36,272,937	2.96%
2024	992,291	186,000	4,874,602	6,052,893	33,866,412	2.96%
2025	1,025,633	186,000	5,020,840	6,232,473	31,129,956	2.97%
2026	1,060,087	186,000	5,171,465	6,417,552	28,034,663	2.97%
2027	1,095,691	186,000	5,326,609	6,608,300	24,549,359	2.97%
2028	1,132,484	186,000	5,486,407	6,804,891	20,640,428	2.97%
2029	1,170,504	186,000	5,651,000	7,007,504	16,271,630	2.98%
2030	1,209,792	186,000	5,820,529	7,216,321	11,403,901	2.98%
2031	1,250,390	186,000	5,995,146	7,431,536	5,995,146	2.98%
2032	1,292,343	186,000	0	1,478,343	0	-80.11%

Notes: Fiscal 2020 actuarially determined contribution set equal to budgeted amount.  
 Actuarially determined contributions are assumed to be paid on July 1.  
 Item (2) reflects 3.0% growth in payroll, as well as a 0.15% adjustment to total normal cost to reflect the effects of mortality improvements due to the generational mortality assumption.  
 Item (4) increases at 3.0%.  
 Projected normal cost does not reflect the future impact of pension reform for future hires.  
 Projected unfunded actuarial accrued liability does not reflect the recognition of deferred investment losses.